



PENN VIRGINIA RESOURCE PARTNERS, L.P.

KEITH D. HORTON
President
and
Chief Operating Officer

April 26, 2006

Mr. George Ward
Secretary
KY Commerce Cabinet
Capital Plaza Tower, 24th Floor
500 Main Street
Frankfort, KY 40601

Dear Secretary Ward:

After review of the Memorandum of Understanding (MOU) between the Commonwealth of Kentucky Commerce Cabinet Office of Energy Policy and Penn Virginia Operating Co., LLC which you sent in a letter dated April 18, 2006, Penn Virginia's legal department has made some revisions to the document. A blue-line copy with these changes are attached along with an executed copy of this document reflecting these changes. If acceptable, please sign and return a completed copy to Penn Virginia for our files or if any questions, please contact me or Steve Dula. Penn Virginia hopes this Memorandum of Understanding (MOU) is of assistance in completing the requirements for the FutureGen Industrial Alliance, Inc., request for proposals and helps Kentucky gain favorable results on the FutureGen project.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Keith D. Horton", is written over a blue line.

Keith D. Horton
President and Chief Operating Officer

Enclosure

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MEMORANDUM OF UNDERSTANDING
between the
COMMONWEALTH OF KENTUCKY
COMMERCE CABINET OFFICE OF ENERGY POLICY

And

PENN VIRGINIA OPERATING CO., LLC
A DELAWARE LIMITED LIABILITY COMPANY

WHEREAS, the Commonwealth of Kentucky Commerce Cabinet, Office of Energy Policy (hereinafter the "Commonwealth") has the statutory responsibility for effective implementation of Kentucky's Comprehensive Energy Strategy;

WHEREAS, the Federal government has indicated that a competitive bid process will be forthcoming, under which all states may compete for the significant opportunity to attract the "FutureGen" energy project (hereinafter the "FutureGen Project") for a particular state;

WHEREAS, Penn Virginia Operating Co., LLC, a Delaware limited liability company (hereinafter "PVOC"), and Green Gem, LLC, a Nevada limited liability company (hereinafter "Green Gem"), currently hold title to an aggregate of approximately 56,000 acres of real property and subsurface coal and other minerals located along the Green River in Henderson County, Kentucky (hereinafter the "Property"), including without limitation, a portion of the property acquired from Reynolds Metal Company by Deed dated April 30, 1997, of record in Deed Book 467, page 277, in the Office of the Henderson County Clerk;

WHEREAS, approximately 1,920 acres of real property included in said Property (hereinafter the "Master Tract") is subject to an option pursuant to a certain Amended and Restated Option Agreement dated July 19, 2005 by and among PVOC, Green Gem and Cash Creek Generation, LLC, a Delaware limited liability company (hereinafter "Cash Creek") that affords Cash Creek the right to acquire said Master Tract together with certain easements over the Property located outside the boundaries of the Master Tract (hereinafter the "Remaining Property");

WHEREAS, the majority of PVOC's mineral rights at the Property are potentially within the projected plume of CO₂ sequestration necessary for the Commonwealth of Kentucky to make best efforts to successfully attract the FutureGen Project to Kentucky;

WHEREAS, the parties are willing to explore a mutually beneficial agreement in order to compete for the FutureGen Project;

WHEREAS, if the Federal government chooses Kentucky as the site for

the FutureGen Project, the presence of the FutureGen Project in the state will advance the goals of the comprehensive Energy Strategy for the Commonwealth of Kentucky;

WHEREAS, the FutureGen Project would provide jobs, economic growth and other new opportunities for citizens of the Commonwealth;

WHEREAS, the FutureGen Project could provide a long-term market for the coal reserves of the PVOC; and

WHEREAS, this Memorandum of Understanding does not necessitate any expenditure of public funds by the Commonwealth to PVOC or by PVOC to the Commonwealth, but merely memorializes the intent in principle of the parties to cooperate in attracting the FutureGen Project to the Commonwealth and working to make it a success;

NOW, THEREFORE, in furtherance of the foregoing THE COMMONWEALTH and PVOC desire to set forth the following mutual understandings:

- I. The Commonwealth shall take lead responsibility in preparing and submitting a competitive bid for the FutureGen Project, including being responsible for any third-party expenses the Commonwealth of Kentucky determines necessary for a competitive bid.
- II. To support the potential development of the FutureGen Project, PVOC intends to negotiate with FutureGen Industrial Alliance, Inc. (hereinafter the "FutureGen Alliance") to allow the FutureGen Alliance access to and use of the subsurface of the Property within and immediately adjacent to the proposed location of the FutureGen Project and other areas of the Knox Formation, as required to sequester CO₂ within the Knox Formation.
- III. PVOC intends to cooperate with the Commonwealth to identify other owners of subsurface rights within and immediately adjacent to the Knox Formation to allow the Commonwealth to negotiate with such other owners similar access to and use of the subsurface, as required to sequester CO₂ within the Knox Formation.
- IV. PVOC and the Commonwealth intend that any negotiations in furtherance of the FutureGen Project will be conducted in good faith.
- V. Penn Virginia intends to negotiate with the FutureGen Alliance and/or the Commonwealth regarding easement rights for reasonable access to and use of the Remaining Property for surface water retention, landfill disposal and other purposes consistent with the proposed use of the FutureGen Project.

SEEN AND APPROVED

Commonwealth of Kentucky Commerce Cabinet

By: 

Its: Secretary

Date: 4-28-06

Penn Virginia Operating Co., LLC

By: 
Keith D. Horton

Its: President and Chief Operating Officer

Date: April 26, 2006